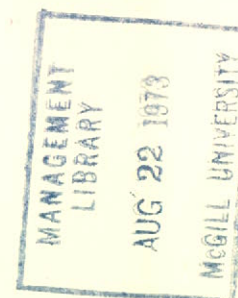
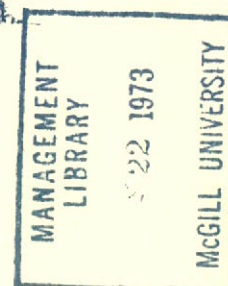


**Second
Quarter Report
Diversified
Investment Funds** ←
**April 1 to
June 30, 1973**

INTERNATIONAL TRUST COMPANY

A shelf list

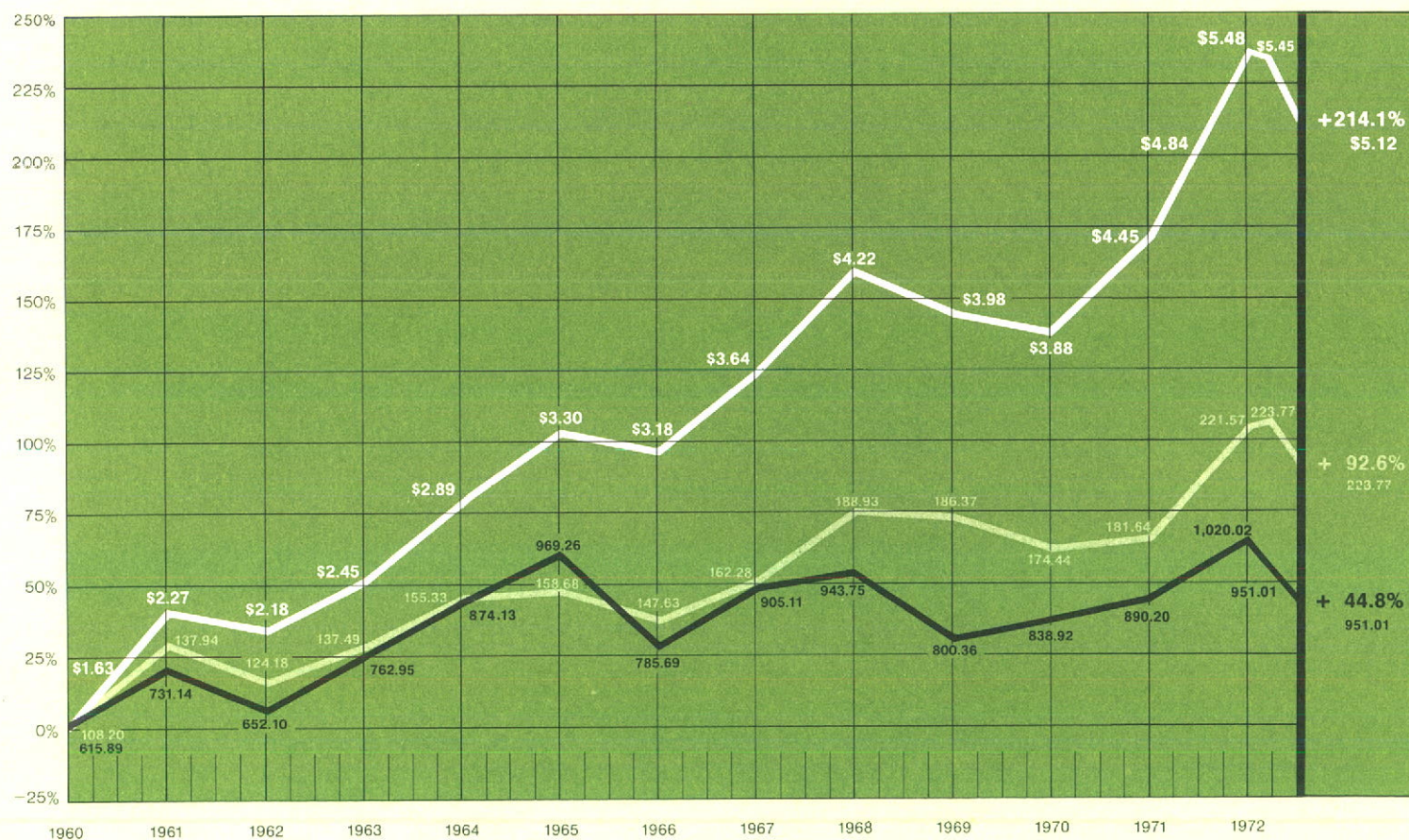
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Andreae Equity Investment Fund Limited

Comparisons between	GRAPH COLOUR	VALUE JUN. 30/73	VALUE DEC. 31/60	PERCENT CHANGE SINCE DEC. 31/60
Andreae Equity Fund (Excl. Div.)	□	\$ 5.12	\$ 1.63	+ 214.1%
T.S.E. Industrial Index	■	208.35	108.20	+ 92.6%
Dow Jones Industrial Average	■	891.71	615.89	+ 44.8%

These comparisons are based upon closings from December 31, 1960 to June 30, 1973





Undoubtedly the major economic concern at the moment is the possibility of a slowdown in 1974. Or, perhaps it might be more correctly said to be the extent of the slowdown, since a decline in the growth rate of some degree seems inevitable and is almost universally anticipated.

As might be expected, there is a broad diversity of opinion as to whether the economy is likely to slip into a recession, or whether we will merely witness a slowdown in the rate of growth. Our own view tends to the latter opinion.

In the June "Monthly Economic Letter" the First National City Bank notes that: "The postwar history of the U.S. economy suggests very strongly that swings in government policy have been responsible for the widest fluctuations in economic activity. That is, recessions have been engineered by major swings in monetary policy, not by a natural rhythm of economic forces. And policy does not appear to be swinging widely enough at the present time to throw the odds in favor of a recession."

In 1973, real economic growth is expected to be as strong in Canada as it will be in the United States. We are estimating an increase in real gross national product of 6% to 6.5% for both countries. From present data it

seems unlikely this will slow down to much below 5% in Canada in 1974, and this would be a far cry from a recession. It would also mean that the Canadian economy would be stronger than the U.S. economy in 1974 since we are projecting a slowdown to 3% real growth in that country for next year.

The concern about slower business next year is still, however, a real one. It stems largely from the reaction to the extraordinarily high rate of inflation that is being experienced on a worldwide basis. The fear that this is a runaway inflation is widespread and the appropriate government authorities in the major western countries have been taking action to cool it off.

So far the reaction by governments does not seem to be exaggerated, and they seem to fully appreciate the total problem including the difficult one of assessing the lag between the implementation of a policy and the time when actual results begin to show up.

While so much attention has been focussed on the disturbing aspects of inflation, not enough has been paid to some of the beneficial results which are likely to flow from the devaluations of the U.S. and Canadian dollars. Relative to the major European and Japanese currencies, the two

North American dollars have declined about a third to 40% over the last two years. The benefits of this are substantial and do not appear to be properly recognized.

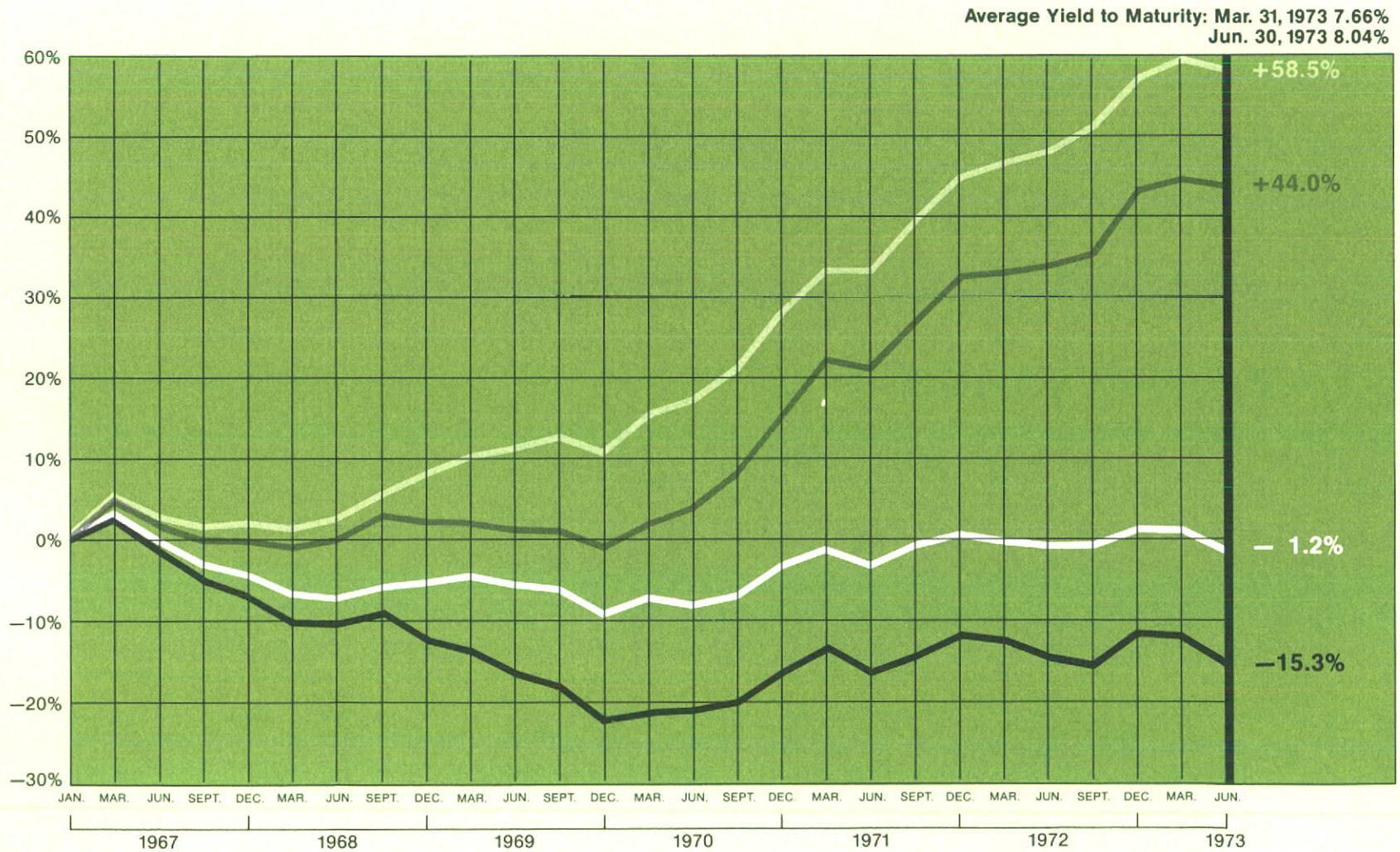
Meantime, corporate profits continue to move up at a very fast rate. An increase of almost 16% in before tax profits in Canada in 1971 was followed by another unusual gain of almost 20% in 1972. It was reasonable to expect this to slow down in 1973, and we had been forecasting a growth of 10% for 1973. In light of the results of the first quarter, and the apparent continuing strength in the second quarter, this now appears likely to be too low. A rate of 12% or even 15% seems possible now, and this would be almost double the long term growth rate experienced in Canada.

Finally, it should be noted that the economy is not over extended, or over built and corporate liquidity is high and has been rising. This should be regarded as a favourable economic background for investors, and should offset the many unsettling, if not frightening events of the first six months of 1973.

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Fixed Income Fund

Comparisons between	GRAPH COLOUR	VALUE JUN. 30/73	VALUE MAR. 31/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Fixed Income Fund	□	\$ 9.88	\$ 10.13	-2.5%	- 1.2%
Fixed Income Fund (Incl. Income)	■	\$ 15.85	\$ 15.96	-0.7%	+ 58.5%
40-Bond Index	■	56.28	57.81	-2.7%	-15.3%
40-Bond Index (Incl. Income)	■	236.31	237.70	-0.6%	+ 44.0%



Fixed Income Fund



Investment Portfolio

Bonds/Convertible Bonds 81% Par Value	Market Value Jun. 30, 1973
\$400,000 Govt. of Canada 6½% Jun. 1/79	\$ 384,000
200,000 Prov. of Alta. 8½% Apr. 15/90	
Prepay Apr. 15/75	212,000
150,000 Man. Hydro 9% Apr. 1/90 Prepay Apr. 1/75	160,500
250,000 Prov. of Nova Scotia 8½% Aug. 1/94	262,704
600,000 Prov. of Ont. 8% Aug. 1/97 Prepay Aug. 1/80	606,000
225,000 Hydro Elec. Pwr. Comm. of Ont. 9% Apr. 1/94	239,063
200,000 Prov. of Sask. 8¼% Dec. 1/90	209,000
200,000 Alta. Gas Trk. 8% Dec. 15/91	190,000
400,000 Alum. Co. of Canada 9¾% Jan. 2/91	428,000
300,000 Ashland Oil Can. Conv. 5% Jan. 15/93	264,000
600,000 BM-RT 6¼% Apr. 1/78 Cum. Wts.	597,000
500,000 Bank of Montreal	
7% Apr. 1/78—7½% Apr. 1/92	485,000
400,000 Bank of Nova Scotia	
6¾% Jul. 1/78—7% Jan. 1/92	388,000
375,000 Bank of Nova Scotia	
7½% Jan. 1/88 Prepay Jul. 1/79	369,375
200,000 Bell Canada 8% May 1/77 Ext. 8¼% May 1/90	203,000
300,000 Bell Canada 9¾% Aug. 14/90	325,500
400,000 Bell Canada 8¾% Aug. 1/93	400,000
300,000 Beneficial Fin. Co. of Canada 9% Jan. 2/91	
Prepay Jan. 2/76	306,000
500,000 Canadian Imperial Bank of Commerce	
7¼% Dec. 15/92 Prepay Dec. 15/78	490,000
120,000 Consumers Gas Conv. 5½% Feb. 1/89	101,400
200,000 Dominion Textile Conv. 5¾% Oct. 12/92	178,000
200,000 Distillers Corp.—Seagrams 7% Dec. 15/78	191,000
300,000 Dominion Foundries and Steel 9% Feb. 1/91	312,000
200,000 T. Eaton Acceptance 8¾% Jul. 15/74	
Ext. Jul. 15/79 or Jul. 15/89	207,000
500,000 General Motors Accept. 7¾% Apr. 28/75	501,250
200,000 Great Plains Dev. Conv. 5% Feb. 1/93	172,000
150,000 Gulf Oil 8½% Dec. 1/89 Prepay Dec. 1/74	155,250
200,000 Gulf Oil 8¾% Sept. 15/75	
Ext. 8½% Sept. 15/90	207,000

Bonds/Convertible Bonds 81% Par Value	Market Value Jun. 30, 1973
200,000 HCR Realty Conv. 5½% Dec. 31/92	197,000
200,000 Hudson Bay Mining & Smelting	
9% Jun. 15/91	207,500
100,000 Imperial Oil 8½% Aug. 15/89	
Prepay Aug. 15/74	103,500
350,000 Intl. Nickel 8¾% Jun. 30/91	357,000
300,000 Interprovincial Pipe Line 9¾% Dec. 1/90	321,000
300,000 John Labatt 9¼% Sept. 1/90	318,000
200,000 Maritime Tel. & Tel. 8¼% Jun. 15/77	
Ext. Jun. 15/90	202,000
300,000 Molson Industries 8¼% Nov. 1/91	294,750
100,000 N.B. Tel. 9¼% Jun. 1/90 Prepay Jun. 1/75	106,000
200,000 Noranda Mines 9¼% Oct. 15/90	213,000
400,000 Pacific Petroleum Conv. 5% May 1/92	350,000
350,000 Royal Bank of Canada 7% Apr. 15/91	
Prepay Apr. 15/77	341,250
100,000 Simpsons-Sears Acc. 9½% Feb. 1/90	
Prepay Feb. 1/75	108,000
400,000 Steel Co. Canada 9¼% Nov. 1/90	426,000
200,000 TDRI Conv. 5½% Feb. 15/93	226,000
225,000 TransCanada Pipe 10% Jun. 20/90	249,187
400,000 TransCanada Pipe 9¾% Sept. 20/90	436,000
	<u>\$13,000,229</u>
Reserve 19%	
Cash & Short-Term Notes	\$ 2,961,958
	<u>\$ 2,961,958</u>
Total Assets as at Market Jun. 30, 1973	<u>\$15,962,187</u>

Fixed Income Fund

Portfolio Review and Analysis

The trend in the bond market during the second quarter of 1973 was quite different than that experienced in the first three months of the year. Both short and long term rates increased during this period. The Fixed Income Fund declined 2.5% in the three months which compared with a drop of 2.7% in the McLeod, Young, Weir 40-Bond Index. Including income, the Fund was off 0.7%, the Index 0.6%.

During the first quarter of 1973, short term rates in Canada remained virtually unchanged while both U.S. and Euro-dollar rates rose substantially. In the second quarter, our rates began to catch up. Chartered bank prime rates increased by 1¾%. The movement corresponded to further increases in U.S. rates. The Federal Reserve Discount Rate rose by 1½% to 7% and their short term rates went well above the 8% mark.

Until early April, Canadian short term rates had been maintained at a substantial discount to other international rates. With this in effect we began to feel the pull of increased demand for bank credit, and it was evident that foreign sources were making use of Canadian banking facilities. Coupled with a very strong domestic demand for credit, loans were moving up at an annual rate of almost 30%. The Bank of Canada, in announcing its

consecutive increases in the Bank Rate, noted this fact and it was because of this in part that Canadian rates were allowed finally to move up. Inflation continued to be a major problem. The rate of increase in Canada intensified and it was felt necessary to restrain the growth of bank credit. Our short term rates still remain lower than both U.S. and Euro-dollar levels, however the spread has narrowed.

The long term Canadian bond market increased in yield by about 30 basis points during this period. Most of the movement took place during the month of May. The weaker bond prices were caused mainly by the sharp increase in short term rates and the continued inflation problem. Most accounts remain on the sidelines in anticipation of higher rates. Early in the period, the technical position of the market was weak due to a high level of dealer inventories. This position gradually improved to a point where the inventory situation was a positive factor late in the quarter with long term holdings being, at times, on the negative side. The calendar of new issues did not increase.

It is estimated that both Federal and Provincial financing will be somewhat lower this year and to date there has been little buildup from corporations. This could in-

crease if capital expenditure improves and if the banking situation gets tighter.

Mortgage rates, which had been under consistent downward pressure during the first quarter of the year, turned around. Chartered banks, which had been most aggressive, moved out of the market and in some cases, became sellers. With short term rates rising, trust companies were forced to raise their mortgage rates.

During the quarter we were net sellers of bonds from the Fund. Our cash reserves increased by 10% ending the period at 19%. A portion of this reserve is committed for investment early in the coming quarter. However, with the uncer-

tainties that still exist, it is likely that we will maintain our reserve at a higher level than normal.

Short term rates could move higher. We expect that another 50 basis points may see us close to the top. Long term rates will continue to be effected by these moves and some further deterioration in price can be expected. However, due to the light calendar, any major move to higher yields should not occur until at least the end of the current quarter. This expectation is based mainly on domestic considerations. The state of the international markets may have some further adverse effect—the extent of which is unknown.

Portfolio Composition:

	Mar. 31, 1973	Jun. 30, 1973
Reserve	9%	19%
Canadas	4%	2%
Provincials	13%	11%
Corporates	63%	59%
Conv. Debs.	11%	9%
	<u>100%</u>	<u>100%</u>

Canadian Equity Fund



Comparisons between	COLOUR GRAPH	VALUE JUN. 30/73	VALUE MAR. 31/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
Canadian Equity Fund	□	\$ 17.50	\$ 18.87	-7.3%	+ 75.0%
Canadian Equity Fund (Incl. Income)	■	\$ 21.38	\$ 22.90	-6.6%	+ 113.8%
T.S.E. Industrial Index	■	208.35	223.77	-6.9%	+ 41.1%



Canadian Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Jun. 30/73	Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Jun. 30/73
Banks—13.6%				Construction & Material—1.3%			
28,000	Bank of Nova Scotia	32 ³ / ₈	\$ 906,500	25,000	Genstar Limited	15 ⁷ / ₈	\$ 396,875
45,000	Canadian Imperial Bank of Commerce	28 ¹ / ₄	1,271,250	Forest Products—7.3%			
33,000	Royal Bank of Canada	33	1,089,000	76,000	Abitibi Paper Company Limited	10 ¹ / ₂	\$ 798,000
28,000	Toronto-Dominion Bank	31	868,000	30,000	Domtar Limited	20 ¹ / ₂	615,000
			<u>\$4,134,750</u>	28,000	MacMillan Bloedel Limited	29	812,000
Beverages—5.1%							<u>\$2,225,000</u>
20,000	T. G. Bright & Co. Ltd.	19 ⁵ / ₈	\$ 392,500	Insurance—7.9%			
18,000	Distillers Corporation Seagrams Limited	38 ¹ / ₂	693,000	14,000	Crown Life Insurance Company	63	\$ 882,000
9,000	Hiram Walker Gooderham & Worts Limited	52 ¹ / ₄	470,250	14,000	Great West Life Assurance Company	62	868,000
			<u>\$1,555,750</u>	24,100	MICC Investments Ltd.	26	626,600
Communications—9.4%				24,100	MICC Investments Ltd. Rights	1.65	39,765
25,000	Canadian Cablesystems Limited	14 ¹ / ₄	\$ 356,250				<u>\$2,416,365</u>
23,000	Southam Press Limited	30 ¹ / ₂	701,500	Merchandising—3.7%			
40,000	Standard Broadcasting Corp. Ltd.	11 ¹ / ₄	450,000	4,500	Canadian Tire Corporation Ltd. Class A	52 ¹ / ₄	\$ 235,125
49,000	Thomson Newspapers Limited	12 ¹ / ₈	594,125	26,000	Simpson-Sears Limited	11 ³ / ₄	305,500
38,000	Toronto Star Limited Class B	19 ³ / ₄	750,500	23,000	Woodward Stores Limited Class A	25 ¹ / ₈	577,875
			<u>\$2,852,375</u>				<u>\$ 1,118,500</u>



Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Jun. 30/73
Mines & Metals—19.6%			
40,000	Alcan Aluminum Limited	29¼	\$ 1,170,000
20,000	Bethlehem Copper Corporation Ltd.	13⅞	272,500
12,000	Cominco Limited	29½	354,000
18,000	Hudson Bay Mining & Smelting Co. Ltd.	24⅞	447,750
19,000	Mattagami Lake Mines Limited	33¼	631,750
14,000	McIntyre Porcupine Mines Limited	51¼	714,000
9,000	Noranda Mines Limited	51¼	461,250
29,000	Placer Development Limited	28	812,000
25,000	Rio Algom Mines Limited	27½	687,500
25,000	Sheritt Gordon Mines Limited	16	400,000
			<u>\$ 5,950,750</u>
Office Equipment—6.2%			
38,000	Moore Corporation Limited	49½	\$ 1,881,000
Oil & Gas—10.9%			
10,000	Aquitaine Company of Canada Ltd.	21¼	\$ 212,500
10,000	Canadian Occidental Petroleum Ltd.	11	110,000
14,000	Canadian Superior Oil Ltd.	47¼	661,500
10,000	Gulf Oil Canada Limited	34¼	342,500
14,000	Hudson's Bay Oil & Gas Co. Ltd.	41½	581,000
19,000	Husky Oil Ltd.	22¼	432,250
17,000	Pacific Petroleum Ltd.	24¼	412,250
32,000	Shell Canada Limited, Class A	17⅞	564,000
			<u>\$ 3,316,000</u>

Par Value Shares	Convertible Securities or Common Stocks	Market Price	Market Value Jun. 30/73
Pipelines—2.3%			
28,000	Interprovincial Pipe Line Company	24½	\$ 686,000
Steel—3.1%			
19,000	Algoma Steel Corporation Limited	17⅞	\$ 334,875
19,000	Steel Company of Canada Limited	31¼	593,750
			<u>\$ 928,625</u>
Trust & Loan—1.3%			
14,000	Huron & Erie Mortgage Corporation	28	\$ 392,000
Miscellaneous Industrials—1.2%			
40,000	Commonwealth Holiday Inns of Canada Limited	9	360,000
			<u>\$28,213,990</u>
Reserve—7.1%			
	Cash & Short-Term Notes		\$ 2,150,902
			<u>\$ 2,150,902</u>
Total Assets at Market Jun. 30, 1973			<u>\$30,364,892</u>

Canadian Equity Fund

Portfolio Analysis

Portfolio Balance

	Jun. 30/72	Mar. 31/73	Jun. 30/73
Common Stocks & Equivalents	98.0%	97.6%	92.9%
Reserve	2.0	2.4	7.1
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Portfolio Composition

	Jun. 30/72	Mar. 31/73	Jun. 30/73
Consumer Products & Services	39.1%	46.6%	42.2%
Cyclical	31.8	30.4	31.3
Energy	13.8	12.0	10.9
Regulated	7.9	2.3	2.3
Technology	5.4	6.3	6.2
Reserve	2.0	2.4	7.1
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Largest Common Stock Holdings as at Jun. 30, 1973 (By Market)

	Percent of Total Portfolio
Moore Corporation Limited	6.2%
Canadian Imperial Bank of Commerce	4.2%
Alcan Aluminum Ltd.	3.9%
Royal Bank of Canada	3.6%
Bank of Nova Scotia	3.0%

Portfolio Review

The second quarter was a decidedly bumpy one for Canadian stock prices. After climbing to an all time high of 229.32 in January of this year, the Toronto Stock Exchange Industrial Index stayed close to that high level through the remainder of the first quarter and for the better part of April.

The Index then had a precipitous drop in May, possibly one of the fastest vertical descents in its history, and bottomed around 200 in the middle of that month. Since then, and until 30 June, it had a slow and not very vigorous recovery.

Over the three months the Index declined 6.89% from 223.77 at 31 March to 208.35 at 30 June.

The market was featured by strength in metals and paper and forest products, and by weakness in oils and pipelines.

The price-earnings ratio of the Toronto Stock Exchange Industrial Index, based on the latest twelve months earnings was 14.53 at the end of June. This was well below the level of 16.3, where it was at the end of March, or 17.6 at the end of December 1972. Indeed, the price-earnings ratio was as low at the end of June as it was three years ago at the bottom of the 1970 market.

The yield on the Index rose above 3% for the first time this year. This was a function of both dividend increases and lower prices.

At the end of the quarter the five largest holdings represented 20.9% of the fund. Moore Corporation remains the largest holding (6.2%) and the metals are the largest single group (19.6%).

In terms of the broad economic categories, the consumer sector is still the largest (42.2%) although it has declined slightly from 31 March when it was roughly 47%. The cyclical category (31.3%) was increased somewhat. The major industrial groups in this broad sector are metals, forest products and steels.

During the quarter the most important change was the sale of International Nickel and the purchase of Noranda Mines and Cominco. The positions in Royal Trust and Chieftain Development Company were sold and small additions were made to Alcan Aluminum, Mattagami Lake and Placer Development.

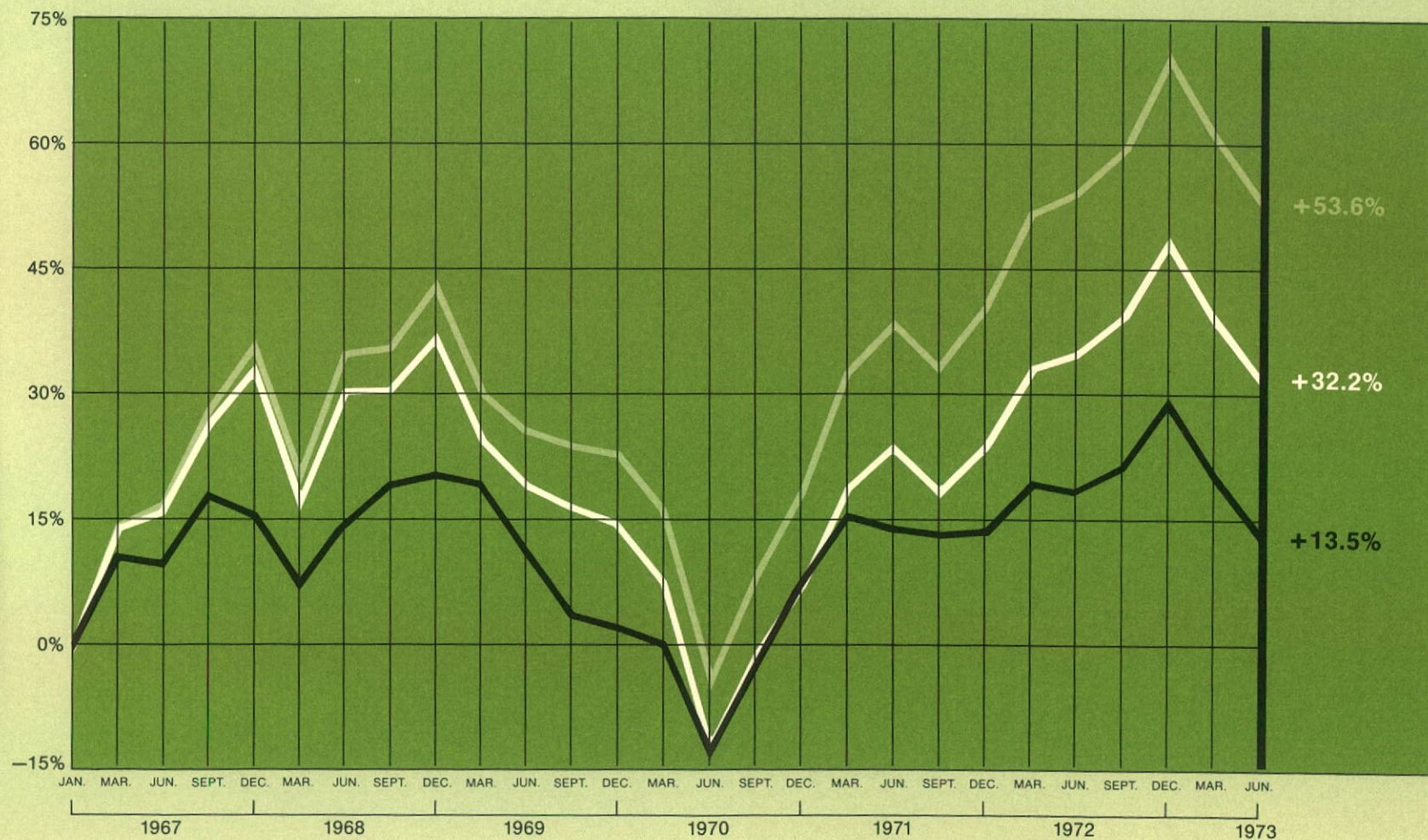
The cash position at 30 June was 7.1%, somewhat of an increase from 2.4% at 31 March.

International Equity Fund



Comparisons between

	GRAPH COLOUR	VALUE JUN. 30/73	VALUE MAR. 31/73	PERCENT CHANGE OVER QUARTER	PERCENT CHANGE SINCE INCEPTION
International Equity Fund	□	\$ 13.22	\$ 13.94	−5.2%	+ 32.2%
International Equity Fund (Incl. Income)	■	\$ 15.36	\$ 16.11	−4.7%	+ 53.6%
Dow Jones Industrial Average	■	891.71	951.01	−6.2%	+ 13.5%



International Equity Fund

Investment Portfolio

Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Jun. 30/73 (CDN.)	Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Jun. 30/73 (CDN.)
Banks—9.4%				Food & Beverages—4.2%			
13,000	Citizens & Southern National Bank, Georgia	23 $\frac{3}{4}$	\$ 308,256	3,700	Coca-Cola Company	143 $\frac{1}{8}$	\$ 528,715
10,000	First Chicago Corporation	55 $\frac{1}{8}$	550,368	6,100	General Mills Inc.	54 $\frac{3}{4}$	333,441
5,164	First International Bank Shares	43 $\frac{1}{2}$	224,275				\$ 862,156
10,000	J. P. Morgan & Co. Inc.	59 $\frac{5}{8}$	595,296	3,150	American Hospital Supply	36 $\frac{7}{8}$	\$ 115,970
7,000	North Carolina National Bank	34 $\frac{1}{4}$	239,366	4,000	Baxter Laboratories	46 $\frac{1}{2}$	185,702
			\$ 1,917,561	5,000	Johnson & Johnson	113 $\frac{7}{8}$	568,464
Drugs—5.0%				3,000	Medtronic Inc.	46 $\frac{3}{4}$	140,026
8,675	Merck, Inc.	89 $\frac{7}{8}$	\$ 778,418				\$ 1,010,162
3,000	Upjohn Company	79 $\frac{1}{2}$	238,118	Insurance—2.3%			
			\$ 1,016,536	10,000	Colonial Penn. Group	46 $\frac{3}{8}$	\$ 463,008
Electrical Equipment—2.9%							
10,200	General Electric Company	57 $\frac{3}{8}$	\$ 584,289				
Electronics—8.7%							
13,200	A M P Incorporated	43 $\frac{1}{2}$	\$ 573,281				
15,000	Perkin-Elmer Corporation	31 $\frac{3}{8}$	469,872				
20,000	Sony Corporation	36 $\frac{3}{8}$	726,336				
			\$ 1,769,489				



Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Jun. 30/73 (CDN.)
Miscellaneous—5.1%			
2,000	Clorox Co.	24¼	\$ 48,422
13,000	Huyck Corporation	31½	403,978
7,000	Minnesota Mining & Manufacturing Company	83¾	585,312
			<u>\$ 1,037,712</u>
Office Equipment—18.4%			
2,000	Digital Equipment	83¼	\$ 166,234
6,918	International Business Machines Corp.	317	2,189,497
9,000	Xerox Corporation	155½	1,398,384
			<u>\$ 3,754,115</u>
Oils—2.4%			
5,900	Atlantic Richfield Company	85	\$ 500,698
Personal Care—2.8%			
4,000	Avon Products Inc.	123½	\$ 493,210
1,000	Chesebrough	77¾	77,626
			<u>\$ 570,836</u>
Photography—3.7%			
5,625	Eastman Kodak	136½	\$ 766,584
Retail Trade—7.7%			
15,000	S. S. Kresge Co.	33⅞	\$ 507,312
21,500	Marcor Inc.	18¼	391,747
5,000	J. C. Penny Co.	77⅞	386,256
3,000	Sears-Roebuck	95⅞	284,918
			<u>\$ 1,570,233</u>

Par Value Shares	Convertible Securities or Common Stocks	Market Price (U.S.)	Market Value Jun. 30/73 (CDN.)
Service—5.0%			
12,000	American Express	56¾	\$ 679,910
25,900	Ramada Inns Inc.	7½	193,939
2,000	W. Disney Productions	76¾	153,254
			<u>\$ 1,027,103</u>
Utilities—5.1%			
10,000	Allegheny Power System, Inc.	20⅝	\$ 205,920
8,000	Continental Telephone Corporation	23½	187,699
11,600	Southern California Edison Company	23¼	269,269
10,000	Southern New England Tel.	37¾	376,896
			<u>\$ 1,039,784</u>
Reserve—12.4%			
	Cash & Short-Term Notes		<u>\$ 2,544,884</u>
			<u>\$ 2,544,884</u>
Total Assets as at Jun. 30, 1973			<u>\$20,435,150</u>

International Equity Fund

Portfolio Analysis

Portfolio Balance

	Jun. 30/72	Mar. 31/73	Jun. 30/73
Common Stock & Equivalents	93.6%	90.9%	87.6%
Reserve	6.4	9.1	12.4
	100.0%	100.0%	100.0%

Portfolio Composition

	Jun. 30/72	Mar. 31/73	Jun. 30/73
Consumer Products & Services	30.4%	40.2%	41.3%
Cyclical	14.7	4.5	5.1
Energy	3.7	2.4	2.4
Regulated	5.2	5.2	5.1
Technology	39.6	38.6	33.7
Reserve	6.4	9.1	12.4
	100.0%	100.0%	100.0%

Largest Common Stock Holdings as at Jun. 30, 1973 (By Market)

	Percent of Total Portfolio
International Business Machines Corporation	10.7%
Xerox Corporation	6.8%
Merck Inc.	3.8%
Eastman Kodak Company	3.7%
Sony Corp.	3.6%

Portfolio Review

During the second quarter of 1973, the U.S. stock market continued the relentless decline which had begun in January of this year. How far the market is actually down depends on which index one consults, and we show the change in four leading indexes below.

	31 March 1973	30 June 1973	Change
Dow Jones Industrials	951.01	891.71	-6.24%
Standard & Poor 425	125.00	116.72	-6.62%
Standard & Poor 500	111.52	104.26	-6.51%
N.Y.S.E. Composite	59.58	54.84	-7.96%

It is interesting to note that over the last two years the United States public has been treated to four separate programs to control inflation, and a fifth is to be introduced in August to follow up from the fourth (the 60 day price freeze) announced in June. The Dow Jones Industrial Average stands at roughly the same level (900) as it did two years ago. In the period it has swung as high as 1067 in January of this year, and as low as 790 in November 1971.

During this two year period the earnings have grown from around \$55 a unit to an estimated \$75, or maybe even \$80 a unit for 1973. With growing earnings and declining stock prices, there has been a further significant decline in ratios.

	Close 30 June	Estimated Earnings	Price Earnings Ratio
Standard & Poor 425	116.72	\$ 7.95	14.7
Dow Jones Industrials	891.71	\$78.00	11.4

At the end of March, the Standard & Poor 425 was selling at 16.1 times then estimated 1973 earnings, and the Dow Jones Industrials at 12.9 then estimated earnings. As we commented in the last quarterly report, historically the current price-earnings ratios seem eminently reasonable.

At 30 June, International Business Machines was still the largest single holding (10.7%) of the portfolio and this was followed by Xerox (6.8%) Merck (3.8%) Eastman Kodak (3.7%) and Sony Corporation (3.6%). The five largest holdings comprised 28.6% of the total fund.

During the quarter the positions in Texas Instruments and Schering Plough were eliminated and Sears Roebuck and Atlantic Richfield were reduced.

New additions to the portfolio included American Express, Disney Productions, Digital Equipment, Baxter Laboratories, Medtronics, Upjohn, Chesebrough-Pond's and Clorox.

The cash position at the end of the quarter was 12.4% providing the fund with an ample buying reserve.

Unit Values of Diversified Investment Funds Since Inception



Fixed Income Fund

Canadian Equity Fund

International Equity Fund

	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.	UNIT VALUE	INCOME QTR/MO.	VALUE INCL. INC.
1966 Dec. 31	\$10.00		\$10.00	\$10.00		\$10.00	\$10.00		\$10.00
1967 Mar. 31	10.35	\$.15250	10.50	11.02	\$.08496	11.11	11.34	\$.07453	11.42
Jun. 30	9.93	.15802	10.24	11.45	.06572	11.61	11.55	.03725	11.67
Sept. 30	9.64	.15580	10.10	12.25	.08703	12.51	12.60	.05288	12.79
Dec. 31	9.52	.15734	10.14	12.65	.09396	13.02	13.28	.05561	13.54
1968 Mar. 31	9.31	.15230	10.08	11.70	.04903	12.09	11.70	.08460	12.01
Jun. 30	9.27	.15638	10.20	13.82	.11686	14.41	13.01	.08619	13.44
Sept. 30	9.40	.14994	10.51	15.80	.08629	16.57	13.05	.04973	13.54
Dec. 31	9.45	.14652	10.73	17.06	.11004	18.00	13.67	.05368	14.24
1969 Mar. 31	9.52	.16292	11.00	17.43	.15656	18.56	12.43	.06699	13.02
June 30	9.42	.16498	11.07	16.17	.15326	17.37	11.90	.06998	12.53
Sept. 30	9.37	.18507	11.23	16.39	.16343	17.79	11.62	.12530	12.37
Dec. 31	9.05	.20602	11.09	16.99	.11949	18.57	11.40	.12480	12.27
1970 Mar. 31	9.26	.17651	11.57	15.54	.15469	17.15	10.72	.12092	11.66
June 30	9.18	.18571	11.70	12.93	.13116	14.40	8.76	.11073	9.64
Sept. 30	9.30	.19003	12.10	13.82	.17910	15.60	9.83	.06254	10.89
Dec. 31	9.64	.19492	12.80	14.03	.13295	15.98	10.62	.04831	11.82
1971 Mar. 31	9.82	.19593	13.33	15.03	.12995	17.28	11.84	.05244	13.24
June 30	9.64	.18892	13.31	15.04	.12842	17.44	12.30	.04849	13.81
Sept. 30	9.90	.20070	13.96	14.59	.11095	17.05	11.79	.05142	13.30
Dec. 31	10.06	.19743	14.46	15.19	.10311	17.87	12.32	.05237	13.96
1972 Mar. 31	10.00	.18497	14.64	16.60	.11675	19.67	13.30	.04940	15.14
June 30	9.93	.18826	14.81	16.95	.11314	20.21	13.46	.04650	15.37
Sept. 30	9.97	.18887	15.16	17.78	.09474	21.32	13.92	.05572	15.96
Dec. 31	10.16	.18626	15.73	18.95	.12469	22.88	14.87	.04958	17.11
1973 Jan. 31	10.17	.06315	15.84	19.00	.02211	22.97	14.53	.01892	16.74
Feb. 28	10.15	.05573	15.90	18.80	.01716	22.74	14.03	.01841	16.18
Mar. 31	10.13	.06141	15.96	18.87	.05457	22.90	13.94	.02677	16.11
Apr. 30	10.06	.05851	15.95	18.19	.01414	22.09	13.14	.00912	15.20
May 31	9.86	.06679	15.74	17.26	.06377	21.03	13.20	.02077	15.30
Jun. 30	9.88	.05378	15.85	17.50	.04586	21.38	13.22	.02638	15.36

INTERNATIONAL TRUST COMPANY

AFFILIATED WITH

FIRST NATIONAL CITY BANK

TORONTO

101 RICHMOND STREET WEST

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